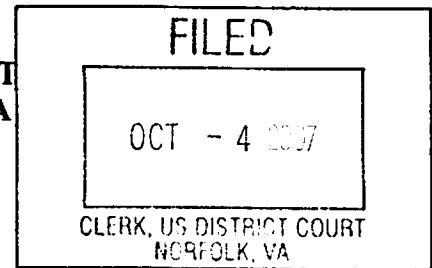


**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION**



**JTH TAX, INC. d/b/a LIBERTY TAX
SERVICE,**

Plaintiff,

Civil No.: 2:07cv452

v.

**BAHADUR ALI RASHID, and
TAXES ETC., INC.,**

Defendants.

Declaration of Gene Haley

Pursuant to 28 U.S.C. § 1746, I, Gene Haley, having personal knowledge of the facts herein state under oath as follows:

1. I am over the age of eighteen (18) years and am fully competent to testify to the matter stated in this declaration. This declaration is based upon my personal knowledge, Liberty's corporate and business records, and information available from Liberty's employees and agents.

2. I serve as General Manager for JTH Tax, Inc. d/b/a Liberty Tax Service ["Liberty"] in one of their company owned stores in Hot Springs, Arkansas and have held this position since November, 2005. From December, 2006 through April, 2007, I also served as an Auditor and Assistant Area Developer for Liberty in the Continental United States, which includes the Greater Houston area of Texas where Bahadur Ali Rashid and Taxes Etc., Inc. [collectively "Rashid"] operate their Liberty Tax Service offices.

3. On May 3, 2007, I contacted Rashid to perform a routine internal audit of his franchises in Texas.

4. I informed Rashid that I would begin my audit at office # 10200 (which is located at 444 Uvalde Road, Houston, TX 77015) and then conclude at his main processing office (which is located at 1215 Main St., Pasadena, TX 77506).

5. Through an email dated June 1, 2007, Rashid stated to me that the main processing office "will not be accessible this summer" because it was "shared with other businesses and is being overhauled." Instead, Rashid said he would transport the processing computer and all files to the 444 Uvalde Road office for my review. See Exhibit 1.

6. On June 26, 2007 I arrived at Rashid's 444 Uvalde Road office for the scheduled audit.

7. Oddly, Rashid explained to me that the processing computer was having technical "problems," and that files had been "restored" onto the machine he presented to me. I am not aware if the machine I audited was the actual processing machine or a completely different machine with the files allegedly "restored" onto it.

8. During the audit I discovered certain unusual business practices not in line with Liberty's standard policies. For example, in every single file I checked, Rashid had failed to keep signed copies of customer Product Information Sheets. When I told him this was against Liberty Policy he explained that he didn't agree with Liberty's policy and that he refused to comply.

9. Rashid also expressed certain reservations about remaining with Liberty, and expressed strong dissatisfaction with Liberty.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 26 day of September 2007.



Gene Haley